

Permanent Fund Committee

Regular Meeting
May 14, 2015
5:15 p.m.



City Hall
Cowles Council Chambers
491 E. Pioneer Avenue
Homer, Alaska

PERMANENT FUND COMMITTEE
491 E. PIONEER AVENUE
HOMER, ALASKA

MAY 14, 2015
THURSDAY, 5:15 P.M.
COWLES COUNCIL CHAMBERS

**NOTICE OF MEETING
REGULAR MEETING AGENDA**

1. CALL TO ORDER

2. APPROVAL OF AGENDA

3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

4. APPROVAL OF MINUTES

A. Synopsis of Regular Meeting of February 12, 2015

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5. VISITORS

A. Jorgen Gustafson, U.S. Bank

6. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

7. PUBLIC HEARING

8. PENDING BUSINESS

9. NEW BUSINESS

A. Memorandum from City Clerk, Re: Draft Investment Policy Statement

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Draft Investment Policy Statement with U.S. Bank

Page 11

Income and Growth Statements for 3-year Period and
Period Ending December 31, 2014

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10. INFORMATIONAL MATERIALS

11. COMMENTS OF THE AUDIENCE (3 MINUTE TIME LIMIT)

12. COMMENTS OF THE CITY STAFF

13. COMMENTS OF THE COUNCILMEMBERS

14. COMMENTS OF THE CHAIR

15. COMMENTS OF THE COMMISSION

- 16. ADJOURNMENT/NEXT REGULAR MEETING** is scheduled for Thursday, August 13, 2015 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

Session 15-01 a Regular meeting of the Permanent Fund Committee was called to order on February 12, 2015 at 5:15 p.m. by Committee Member Jo Johnson at the Cowles Council chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMITTEE MEMBERS: JO JOHNSON, ZHIYONG (JOHN) LI,
CATRIONA REYNOLDS, FRANCIE ROBERTS

ABSENT: MATT NORTH

Committee Member Howard has requested excusal.

APPROVAL OF AGENDA

REYNOLDS/ROBERTS – MOVED TO APPROVE THE AGENDA AS WRITTEN.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

APPROVAL OF MINUTES

A. Synopsis of Regular Meeting of November 13, 2014

ROBERTS/REYNOLDS – MOVED TO APPROVE THE MINUTES.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VISITORS

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

PUBLIC HEARING

PENDING BUSINESS

A. Three-year Comparison of U.S. Bank Returns and the S&P 500

The committee expressed concerns with the performance of the funds. The growth fund with almost a \$1.4M investment showed a 4.72% return while the S&P Index had a 13.69% return over the year ending 2014. The S&P 500 does not require active management.

Questions for U.S. Bank include: Why is U.S. Bank return so low? How often does U.S. Bank trade/move the money for active management of the fund?

Rod Castello, Relationship Manager, and Jurgen Gustafson, Portfolio Manager, appeared by telephone to review U.S. Bank comparisons with the S&P 500.

Jurgen Gustafson joined U.S. Bank in 2014. Overall there was a 3% growth for 2014. Low growth was due to energy prices, recession in Japan, and depression in the European Union. International markets had negative years with global rates pushed to all-time lows; there are negative interest rates internationally. High unemployment is a contributing factor. Low growth made it a difficult year for commodities. In contrast, it was a great year in real estate.

Committee Member Li noted the City's portfolio is below the S&P 500 Index. The growth fund annualized return for the last three years is 13.29% while the S&P 500 Index was at 20.41% annualized return.

Jurgen Gustafson advised the committee that 2014 was the first time the S&P 500 was the top worldwide market since 1998.

Committee Member Roberts commented her own personal stocks follow the NASDAQ and Dow Jones average. She asked why we are not showing the good returns on our stocks.

Jurgen Gustafson answered due to the City's investment policy the maximum U.S. large cap is 38%. If we can only put 30%-38% in large cap stock it limits the options.

Committee Member Li noted U.S. Bank has held the Permanent Fund investment for 55 months yet U.S. Bank has made no suggestions for revisions.

Rod Castello noted they have to adhere to the investment policy statement. They are constricted by the policy in how much exposure they can invest in. He cautioned this is a long-term investment.

Asked how often the funds were moved around and the account examined, Jurgen Gustafson answered he reviews the account every day. It gives him the information if the accounts need to be rebalanced. It is unlikely the account will be rebalanced weekly. In 2013 there were probably quarterly adjustments, maybe more. Jurgen Gustafson expressed the desire to visit

Homer to discuss the investment policy and the City's portfolio. There is a little urgency to re-evaluate the policy and he would welcome the opportunity to rewrite the policy.

Committee Member Li told U.S. Bank they have an investment responsibility to advise the City of Homer. Five years of consistent low returns indicates that need. He asked if we would be treated differently if we had a larger fund. The City hires U.S. Bank and pays an annual fee for management. Committee Member Roberts expressed concern in having to ask U.S. Bank for assistance when they are paid \$15,000 each year to manage the accounts.

Jurgen Gustafson extended his availability to appear telephonic at quarterly meetings. He would be happy to put together a policy to outline how U.S. Bank will communicate with the City of Homer.

Committee Member Li asked for advice on how the Permanent Fund should be managed for greater returns. The current investment policy does not allow the full potential. In the last five years U.S. Bank has failed to notify the City of the urgency to amend the investment policy. Committee Member Reynolds asked for recommendations from U.S. Bank to make the City's fund more fruitful.

Jurgen Gustafson suggested revamping the investment policy statement. Expanding the investment ranges and flexibility will be beneficial. He will submit written recommendations within a week for the most beneficial plan for the City. Mr. Gustafson manages 64 clients. The low end of assets is \$100,000 and the top is \$70M in assets. He values the City's account as an important one.

JOHNSON/REYNOLDS - MOVED TO REVIEW THE INVESTMENT POLICY STATEMENT AND THE INVESTOR AT THE MAY MEETING.

The committee would like to review if we need to RFP the service.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

NEW BUSINESS

A. Election of Chair and Vice Chair

ROBERTS/LI - NOMINATED JO JOHNSON AS CHAIR.

Committee Member Jo Johnson accepted the nomination.

JOHNSON/REYNOLDS – NOMINATED CATRIONA REYNOLDS AS VICE CHAIR.

Committee Member Catriona Reynolds accepted the nomination.

INFORMATIONAL MATERIALS

- A. Appointment of Barbara Howard to the Permanent Fund Committee
- B. U.S. Bank Income and Growth Statements, December 2014

COMMENTS OF THE AUDIENCE (3 MINUTE TIME LIMIT)

There was no audience.

COMMENTS OF THE CITY STAFF

COMMENTS OF THE COUNCILMEMBERS

COMMENTS OF THE CHAIR

Chair Johnson thanked the committee for their confidence and will try to do her best.

COMMENTS OF THE COMMISSION

Committee Member Roberts is glad we had the conversation with U.S. Bank. We had a similar conversation a year ago about the fees and nothing has changed.

Committee Member Li will request an update from U. S. Bank for every meeting.

ADJOURNMENT

There being no further business to come before the committee, Chair Johnson adjourned the meeting at 6:09 p.m. The next Regular Meeting is scheduled for Thursday, May 14, 2015 at 5:15 p.m. in the Homer City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

Submitted by Jo Johnson



City of Homer

www.cityofhomer-ak.gov

Office of the City Clerk

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Homer, Alaska 99603

clerk@cityofhomer-ak.gov

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Memorandum

TO: PERMANENT FUND COMMITTEE
FROM: JO JOHNSON, MMC, CITY CLERK
DATE: MAY 8, 2015
SUBJECT: REVIEW DRAFT INVESTMENT POLICY STATEMENT

At the February 15th meeting the Permanent Fund Committee reviewed the U.S. Bank account growth and income statements over a three-year period. The Committee heard from Jorgen Gustafson, Portfolio Manager of U.S. Bank, who suggested expanding investment ranges and flexibility to allow for greater returns. A draft Investment Policy Statement (IPS) was prepared by Mr. Gustafson.

The Committee is to review the draft IPS to determine if an amendment to the Permanent Fund portfolio is desired. The review will also determine if the recommended IPS is compliant with the current ordinance defining investment of the Permanent Fund as outlined in HCC Chapter 3.10.130 and Chapter 3.12.

RECOMMENDATION:

Review the draft IPS and make recommendations for changes, including amendments to HCC Chapter 3.10.130 and Chapter 3.12.

City of Homer, Alaska

Permanent Fund Equity-Growth Portfolio

Objectives

The primary investment objective is to grow the assets of the portfolio by earning a total return for the fund. The portfolio will be managed according to the appropriate time horizon, liquidity needs and risk tolerance.

Asset Mix

To accomplish the portfolios investment objectives, the portfolio may consist of mutual funds, publicly traded equity securities, and short-term cash investments. The account is to be invested in growth instruments only. These instruments include common and preferred stocks, mutual funds, exchange traded funds, and closed-end funds. Any equity security shall be diversified with no more than 5% of the allocation in any one company. No more than 25% of the equity portfolio shall be invested in any one industry.

Asset Allocation

Asset Class	Target	Range	Benchmark
Domestic Equities	65%	50-80%	Russell 3000
International Equities	20%	10-30%	MSCI World Ex U.S.
Real Estate	5%	2-10%	DJ US Real Estate Index
Commodities	5%	2-10%	Bloomberg Commodity
Cash	5%	0-20%	Merril 90 Day T-Bill

Asset Quality

1. Equities

The investment manager may invest in any unrestricted, publicly traded common or preferred stock that is listed on a major exchange or national over-the-counter market that is appropriate for the portfolio objectives, asset class, and or investment style of the fund that is to hold such shares.

2. Cash/Cash Equivalents

To include Prime Obligation Money Market Funds or US Government Money Market Funds and Commercial Paper. The assets of any money market mutual funds must comply with the standard quality provisions for fixed income securities.

3. Real Estate

Real Estate investments shall be publicly traded common or preferred stock, or real estate investment trusts (REITS) that are listed on a major exchange or a national over the counter the market.

4. Commodities

Commodities shall only be held in the form of Mutual Funds, or Closed End Funds.

Transactions

All purchases of securities will be for cash. There will be no margin, short selling, or direct commodity transactions.

Reporting Requirements

1. Monthly

The investment manager will provide a monthly statement containing all pertinent transaction and allocation details for the assets held in the portfolio for the preceding month. In addition, these statements will be provided to the Permanent Fund Committee at regularly scheduled meetings.

2. Annually

The investment manager will provide detailed information on asset allocation, investment performance, future investment strategies, and any other matter of interest to the committee. In addition these statements will be provided to the Homer City Council at regularly scheduled meetings.

Performance

It will be the objective of the portfolio to equal the performance of a composite index comprised of the target ranges listed above for the Russell 3000, MSCI All World ex US, Dow Jones US Select REIT Index, Bloomberg Commodity Index and the Merrill 90 day Treasury Bill Index.



Selected Period Performance
CITY OF HOMER - INCOME
 Account 19-504340
 Period Ending: 12/31/2014

Sector	Market Value	3 Months	Year to Date (1 Year)	3 Years	Inception to Date (55 Months)
Total Portfolio Gross of Fees	637,603	.18	1.43	1.75	1.82
Total Portfolio Net of Fees	637,603	-.01	.68	1.00	1.11
Total Fixed Income	618,121	.19	1.46	1.89	
Barclays 1-3 Yr Gov/Credit Index		.17	.77	.89	1.22
Barclays Int Gov/Cr Index		.89	3.13	2.03	3.17
Barclays Aggregate Index		1.79	5.97	2.66	4.03
Total Cash and Equivalents	19,482	.00	.02	.01	.01
Citigroup 1 Mo T-Bill Index		.01	.02	.04	.05



Selected Period Performance
CITY OF HOMER - GROWTH
 Account 19-504341
 Period Ending: 12/31/2014

Sector	Market Value	3 Months	Year to Date (1 Year)	3 Years	Inception to Date (55 Months)
Total Portfolio Gross of Fees	1,392,973	2.78	5.51	14.13	11.42
Total Portfolio Net of Fees	1,392,973	2.58	4.72	13.29	10.65
Total Equity	1,226,823	2.60	5.36	16.08	
Domestic Equity	882,060	4.65	9.33	19.62	
S&P 500 Composite Index		4.93	13.69	20.41	17.36
Russell 2000 Index		9.73	4.89	19.21	15.53
Russell Midcap Index		5.94	13.22	21.40	17.77
Foreign Equity	288,829	-3.68	-4.65	9.49	8.92
MSCI EAFE Index (Net)		-3.57	-4.90	11.06	
Emerging Foreign	93,766	-6.09	-3.52	5.88	3.20
MSCI EM Free Index (USD)		-4.50	-2.19	4.04	
Hedged Equity	55,935	3.49	2.34	7.79	5.36
HFRI Equity Hedge Index		.18	2.05		
Total Real Estate	51,795	14.73	29.42		
MSCI US REIT Index		14.34	30.38	16.31	15.95
Total Commodities	53,032	.42	-1.33	-3.15	
S&P GSCI TR		-27.67	-33.06	-12.86	-4.59
Total Cash and Equivalents	61,323	.00	.02	.01	.01
Citigroup 1 Mo T-Bill Index		.01	.02	.04	.05



CITY OF HOMER - INCOME

Portfolio Overview

Portfolio Number: 19-504340

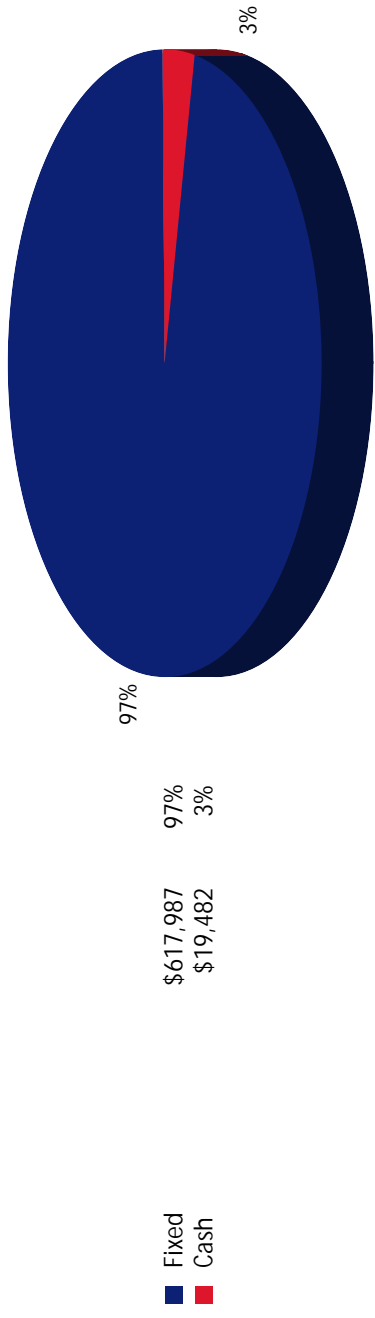
Holdings Method: Direct

Report Date: 12/31/2014

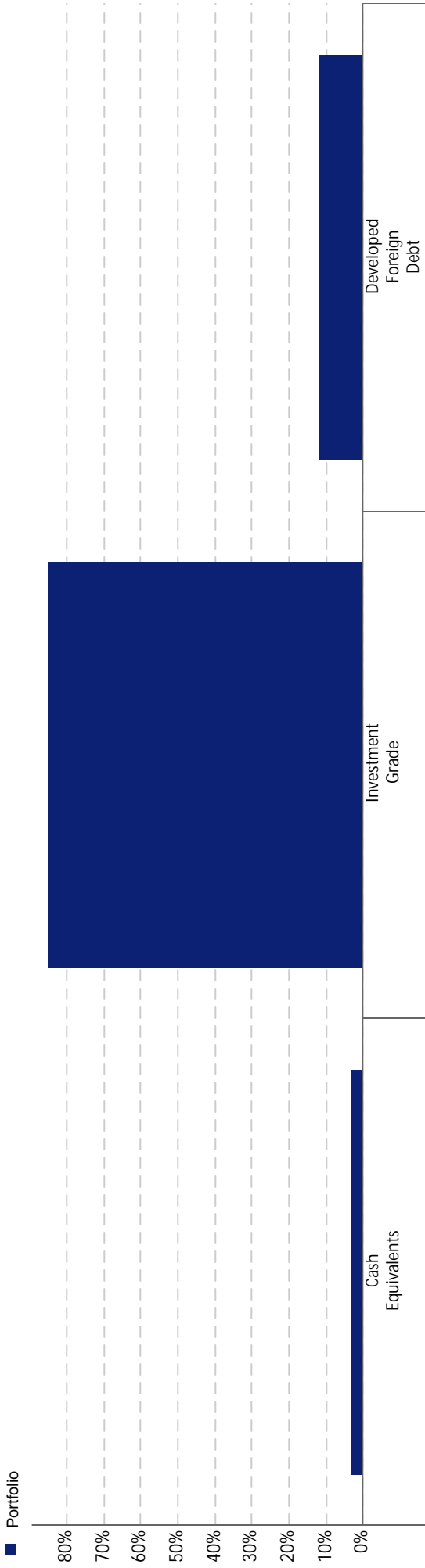
Portfolio Summary

Inv. Objective	All Fixed/Non Taxable
Total Portfolio Value	\$637,469
Capital Gains YTD	\$-1,530
Current Yield	2.17
Projected Annual Income	\$13,746
Portfolio Mgr.	Jorgen T. Gustafson
Number of Securities	22

Portfolio Asset Allocation



Portfolio Model Allocation



Portfolio Number: 19-504340

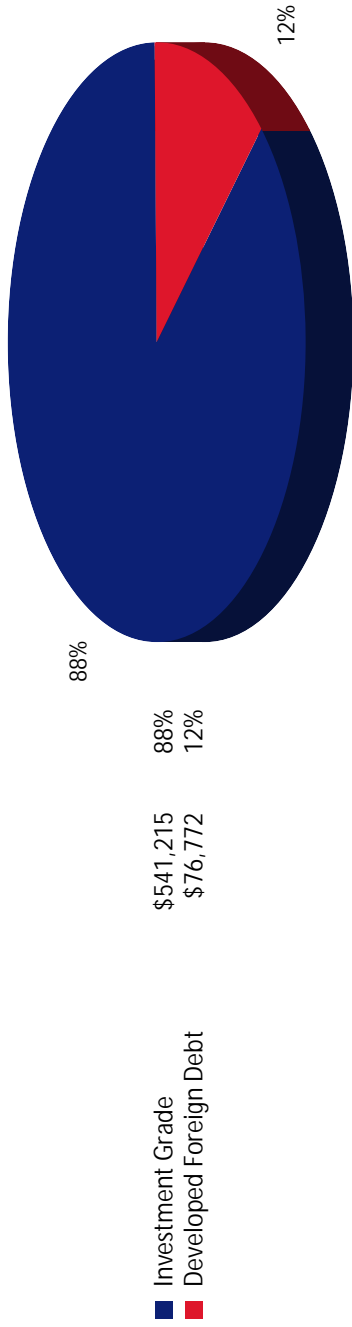
Holdings Method: Direct

Report Date: 12/31/2014

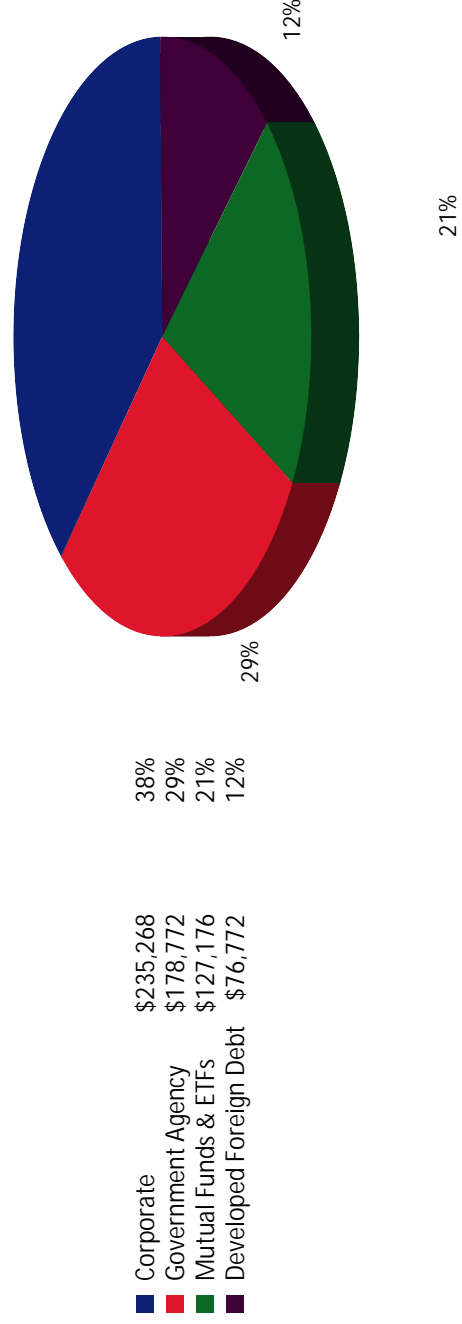
Fixed Income Summary

Inv. Objective	All Fixed/Non Taxable
Fixed Income Value	\$617,987
Portfolio Capital Gains YTD	\$-1,530
Current Yield	2.24
Projected Annual Income	\$13,743
Portfolio Mgr.	Jorgen T. Gustafson
Number of Securities	21

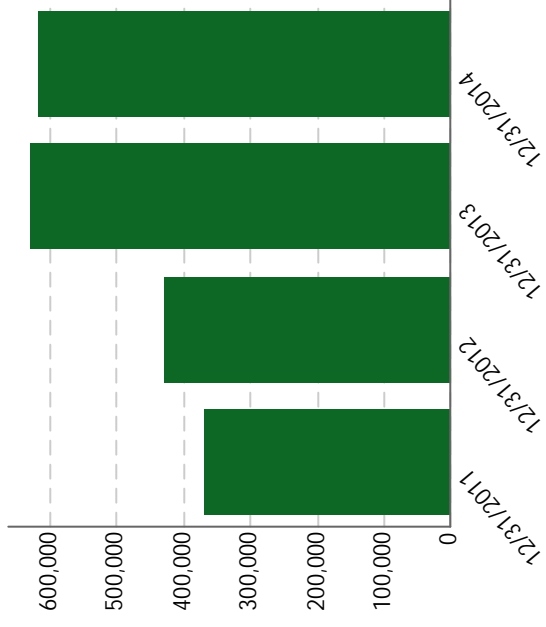
Fixed Income Asset Allocation



Fixed Income Sector Exposures



Fixed Income Market Value



Portfolio Number: 19-504340

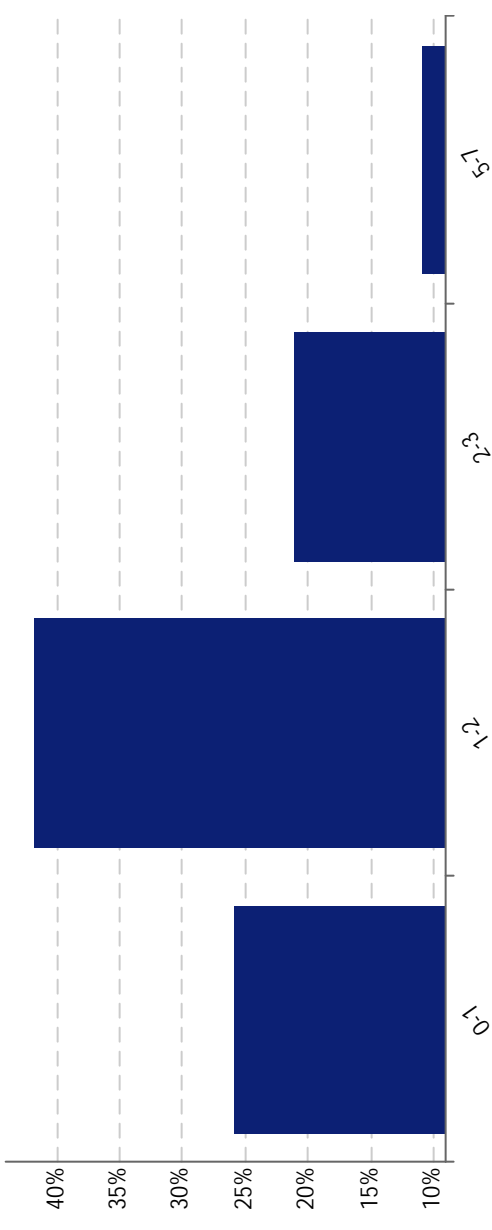
Holdings Method: Direct

Report Date: 12/31/2014

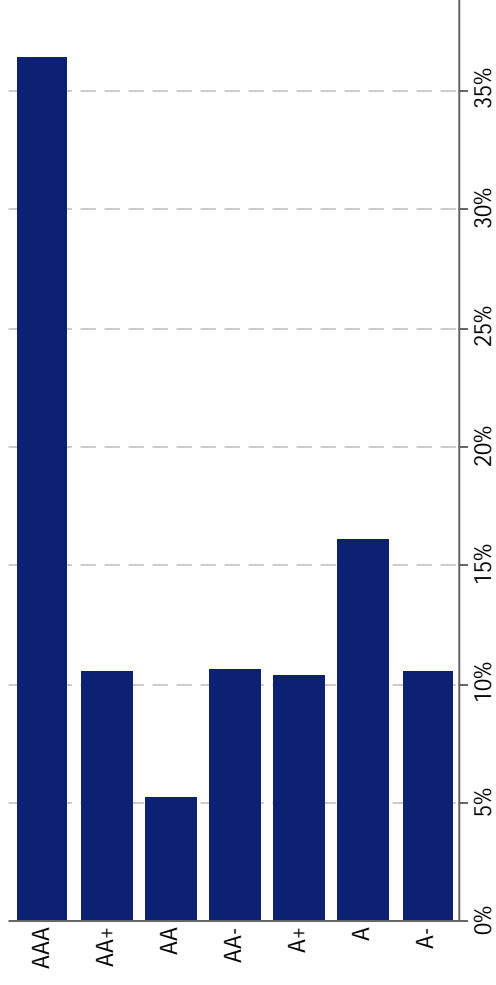
Bond Characteristics

	Portfolio	% Avail
Avg. Coupon (%)	2.51	100
Current Yield (%)	2.44	100
Yield to Maturity (%)	0.98	100
Yield to Call/Worst (%)	0.98	100
Avg. Maturity (Yrs)	1.86	100
Effective Duration	1.76	100
Avg. Quality	AA-	100
# of Securities	19	100

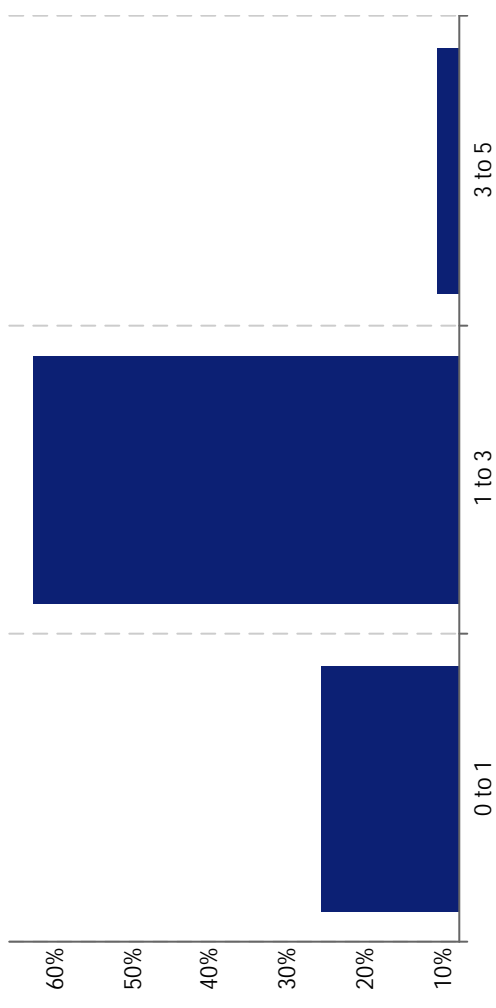
Bond Effective Maturity



Bond Quality Distribution



Bond Duration Distribution





CITY OF HOMER - INCOME
Portfolio Holdings

Portfolio Number: 19-504340		Holdings Method: Direct				Report Date: 12/31/2014				
		Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	\$ Cost Basis	Unrealized Gain/Loss	Curr. Yield	Annual Income
Total			100.0			637,469	635,054	-1,589	2.17	13,746
Cash			3.1	--	--	19,482	19,482	--	0.02	3
Cash Equivalents			3.1	--	--	19,482	19,482	--	0.02	3
FIRST AMER PRIME OBLIG FUND CL Y		31846V104	3.1	1.00	19,482	19,482	19,482	--	0.02	3
Fixed			96.9	--	--	617,987	615,572	-1,589	2.24	13,743
Investment Grade			84.9	--	--	541,215	538,712	-996	2.19	11,761
Corporate			36.9	--	--	235,268	230,446	2,187	2.67	6,206
BK OF NY MELLON MTN 2.500% 1/15/16		06406HBS7	4.0	101.91	25,000	25,764	25,241	235	2.45	625
DUPONT EI NEMOUR 1.950% 1/15/16		263534CD9	4.0	101.29	25,000	25,548	24,292	1,032	1.93	488
AT&T INC 2.400% 8/15/16		00206RAY8	4.0	102.02	25,000	25,732	26,232	-726	2.35	600
GEN ELEC CAP MTN 2.900% 1/09/17		36962G5N0	4.1	103.48	25,000	26,217	26,433	-562	2.80	725
PACCAR FINL CORP MTN 1.600% 3/15/17		69371RK54	4.0	100.84	25,000	25,328	25,078	132	1.59	400
CAMPBELL SOUP CO 3.050% 7/15/17		134429AV1	4.1	103.40	25,000	26,201	26,102	-254	2.95	762
JOHN DEERE CAP MTN 2.800% 9/18/17		24422EQZ5	4.1	103.92	25,000	26,179	24,997	982	2.69	700
DUKE ENERGY IND 3.750% 7/15/20		263901AC4	4.2	105.96	25,000	26,921	26,027	462	3.54	938
TARGET CORP 3.875% 7/15/20		87612EAV8	4.3	107.72	25,000	27,377	26,045	886	3.60	969
Government Agency			28.0	--	--	178,772	180,223	-2,316	2.07	3,688
F H L M C M T N 2.875% 2/09/15		3137EACH0	4.0	100.22	25,000	25,339	25,900	-845	2.87	719
F H L M C M T N 1.750% 9/10/15		3137EACM9	4.0	101.02	25,000	25,391	25,666	-409	1.73	438
F N M A M T N 2.000% 12/30/15		3136FPKH9	4.0	101.68	25,000	25,420	25,000	420	1.97	500
F N M A M T N 2.375% 4/11/16		3135G0BA0	4.0	102.47	25,000	25,748	26,131	-514	2.32	594
F H L M C M T N 2.500% 5/27/16		3137EACT4	4.0	102.83	25,000	25,766	26,242	-536	2.43	625
F H L M C M T N 2.000% 8/25/16		3137EACW7	4.0	102.39	25,000	25,772	25,917	-320	1.95	500
F N M A DEB 1.250% 9/28/16		3135G0CM3	4.0	101.02	25,000	25,336	25,368	-112	1.24	312
Mutual Funds & ETFs			20.0	--	--	127,176	128,043	-867	1.47	1,868
Nuveen Short Term Bond Class I		FLTIX	11.9	9.93	7,669	76,152	76,968	-816	1.98	1,511
RidgeWorth Fds Instl US Gvt Securities Ult...		SIGVX	8.0	10.13	5,037	51,024	51,075	-50	0.70	357
Developed Foreign Debt			12.0	---	--	76,772	76,860	-592	2.60	1,981



CITY OF HOMER - INCOME

Portfolio Holdings

Portfolio Number: 19-504340				Holdings Method: Direct			Report Date: 12/31/2014			
		Symbol	% of Port.	Price	Shares/Units	Portfolio Value	\$ Cost Basis	Unrealized Gain/Loss	Curr. Yield	Annual Income
WESTPAC BANKING	3.000%	8/04/15	961214BN2	4.0	101.44	25,000	25,667	-57	2.96	750
ROYAL BK CANADA MTN	2.625%	12/15/15	78008KBS1	4.0	101.84	25,000	25,489	-1,058	2.58	656
TOTAL CAPITAL	2.300%	3/15/16	89152UAE2	4.0	101.79	25,000	25,616	522	2.26	575

Portfolio Number: 19-504341

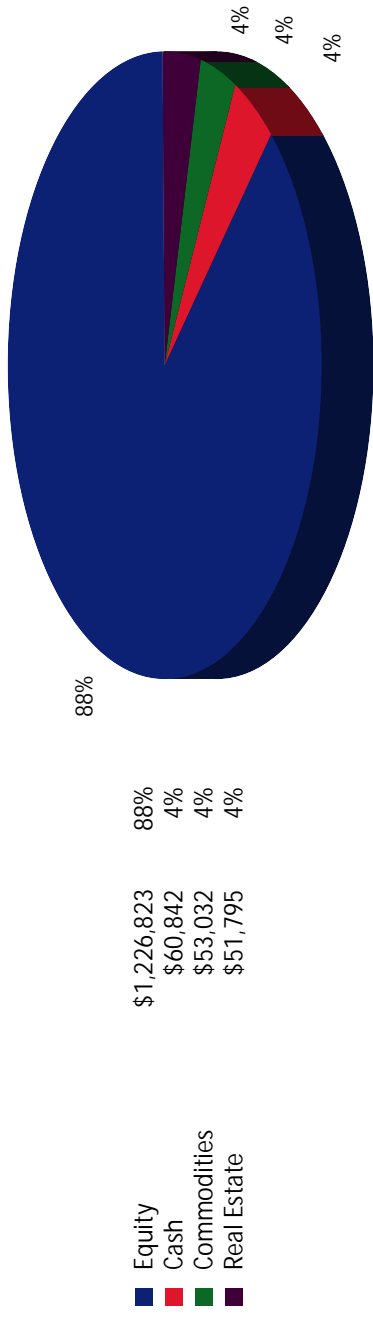
Holdings Method: Direct

Report Date: 12/31/2014

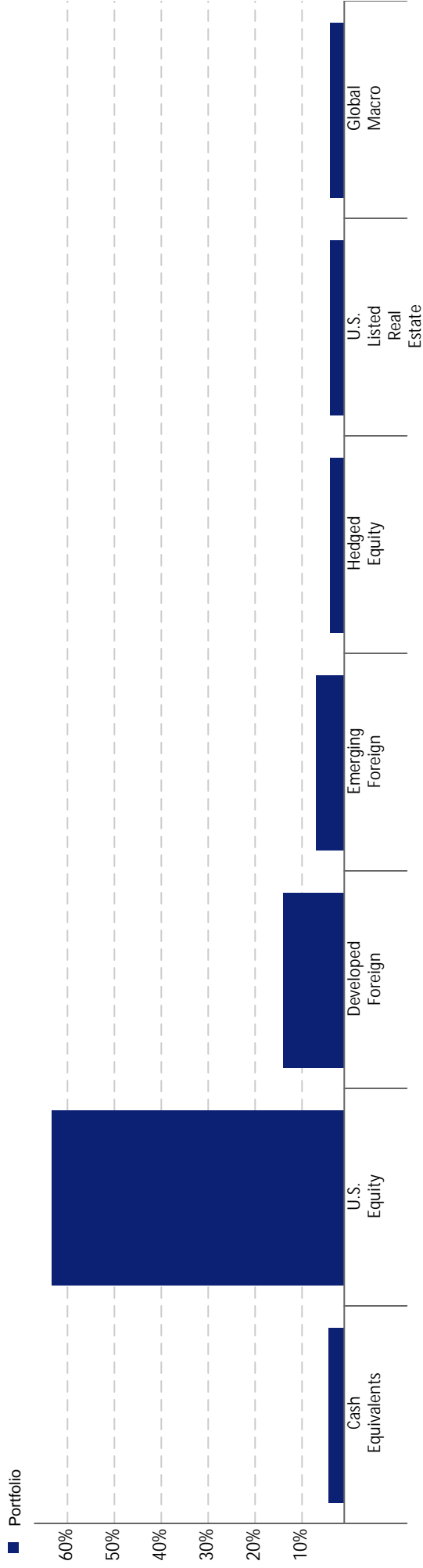
Portfolio Summary

Inv. Objective	All Equity/Non Taxable
Total Portfolio Value	\$1,392,493
Capital Gains YTD	\$79,928
Current Yield	1.10
Projected Annual Income	\$15,373
Portfolio Mgr.	Jorgen T. Gustafson
Number of Securities	16

Portfolio Asset Allocation



Portfolio Model Allocation





CITY OF HOMER - GROWTH

Equity Overview

Portfolio Number: 19-504341

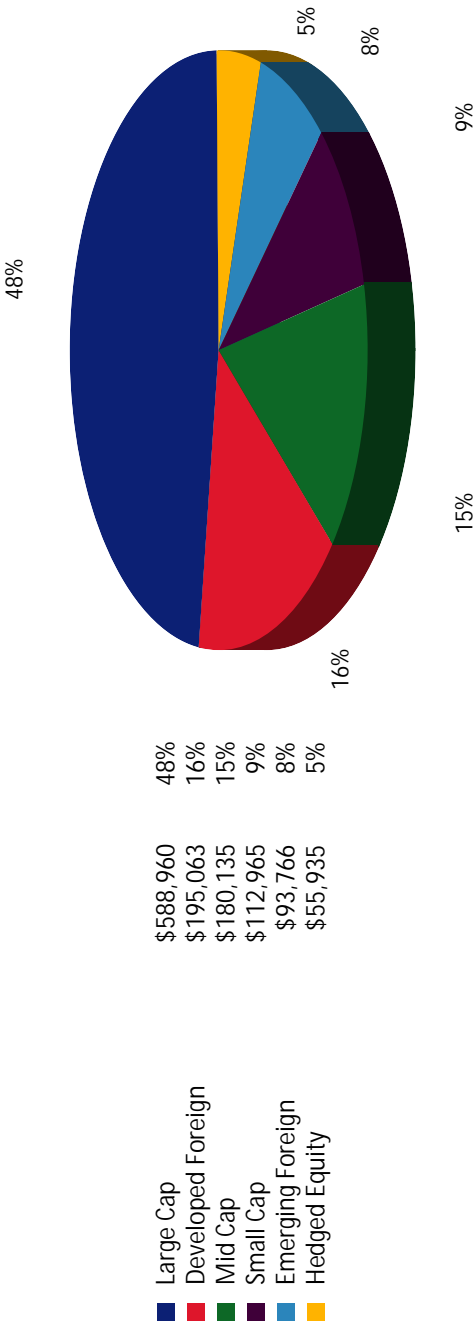
Holdings Method: Direct & Indirect

Report Date: 12/31/2014

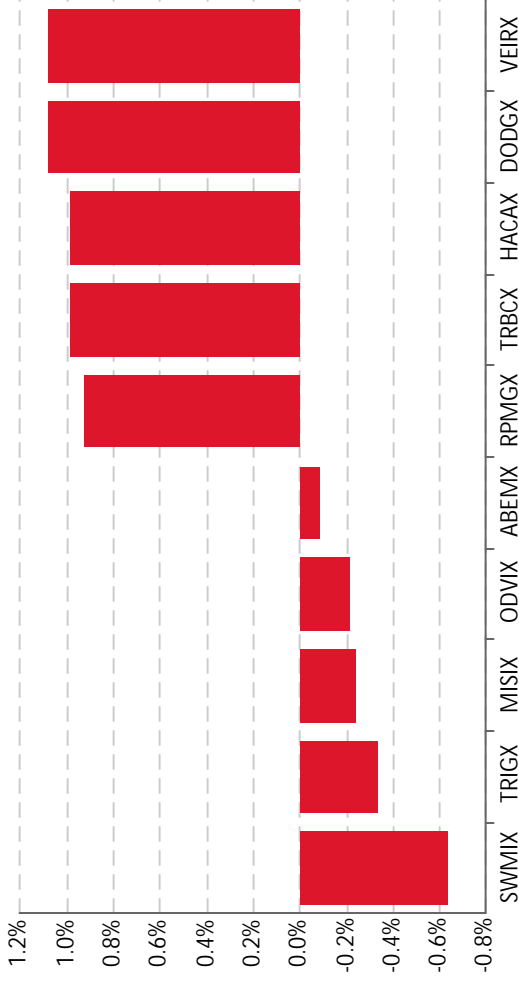
Equity Summary

Inv. Objective	All Equity/Non Taxable
Equity Value	\$1,226,823
Portfolio Capital Gains YTD	\$79,928
Current Yield	0.91
Projected Annual Income	\$11,191
Portfolio Mgr.	Jorgen T. Gustafson
Number of Securities	2,119

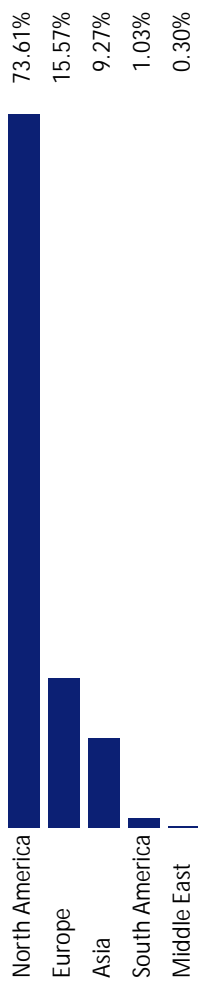
Equity Asset Allocation



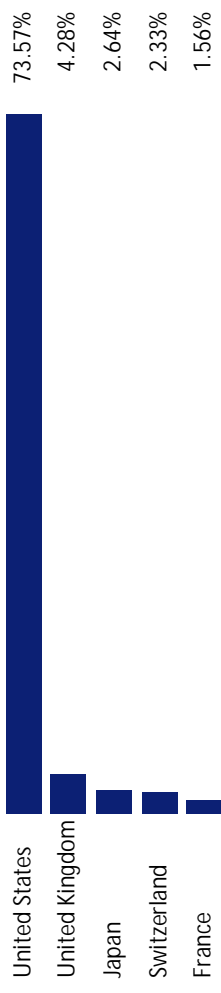
Bottom 5/Top 5 Contributors (Trailing 12 Months)



Equity Global Distribution



Equity Country Distribution





CITY OF HOMER - GROWTH

Common Stock Detail

Portfolio Number: 19-504341

Holdings Method: Direct & Indirect

Report Date: 12/31/2014

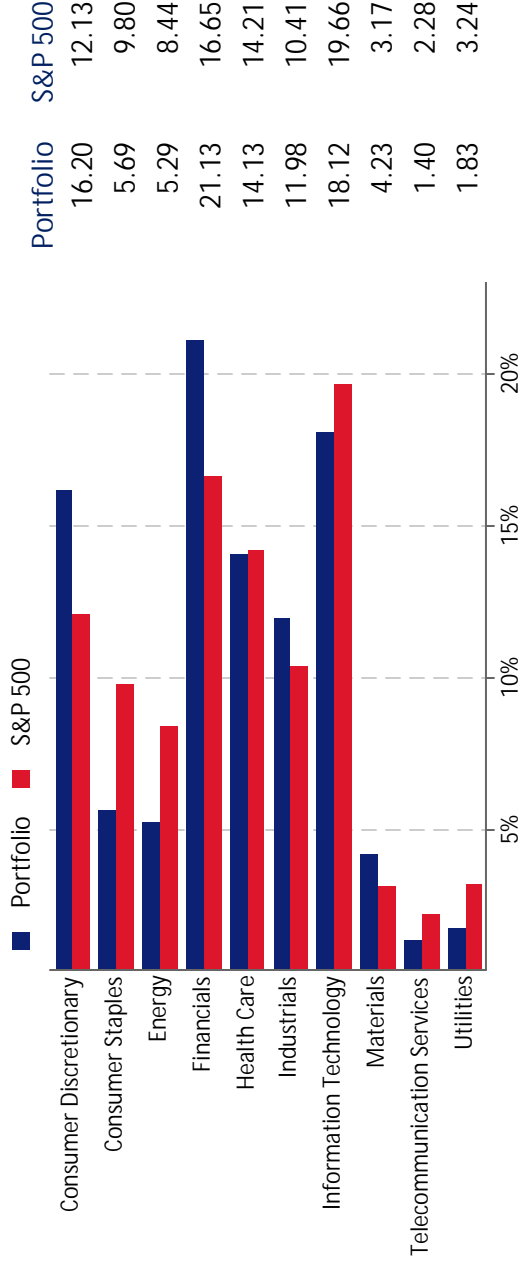
Top 10 Common Stock Holdings

Ticker	Equity (%)	Port (%)	Yield (%)	YTD		52 Wk Return (%)
				Return (%)	Return (%)	
Apple Inc.	1.17	1.04	1.7	40.6	40.6	40.6
Wells Fargo & Company	0.97	0.86	2.6	24.1	24.1	24.1
Microsoft Corporation	0.92	0.82	2.6	27.5	27.5	27.5
Amazon.com, Inc.	0.75	0.67	--	-22.2	-22.2	-22.2
Facebook, Inc. Class A	0.74	0.66	--	42.8	42.8	42.8
MasterCard Incorporated Class A	0.73	0.65	0.8	3.7	3.7	3.7
Google Inc. Class C	0.71	0.63	--	--	--	--
Google Inc. Class A	0.62	0.55	--	-5.4	-5.4	-5.4
Biogen Idec Inc.	0.62	0.55	--	21.4	21.4	21.4
Vici Inc. Class A	0.61	0.54	0.7	18.6	18.6	18.6

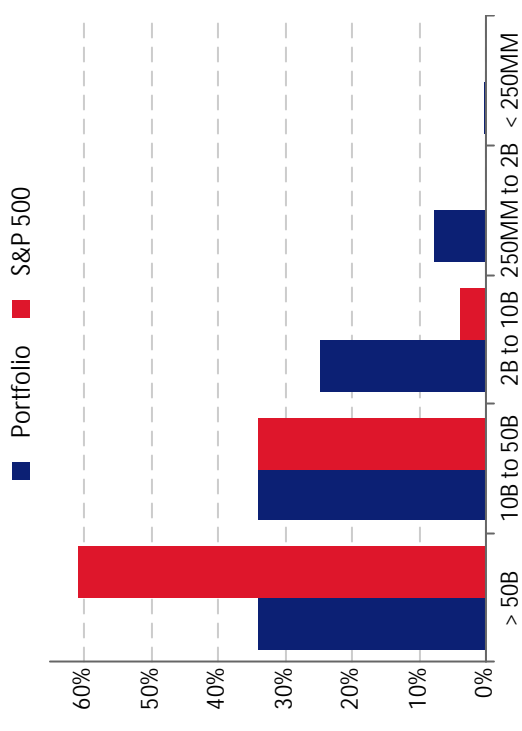
Common Stock Characteristics

	Portfolio	S&P 500
Market Cap - Wtd Avg	\$66.1B	\$132.0B
Market Cap - Median	\$6.6B	\$19.0B
Dividend Yield (%)	1.89	2.00
1 Yr P/E Forecast	21.9	18.4
Price/Earnings Ratio	21.3	19.0
ROE (%)	16.3	19.5
Beta - 52W vs. the NYSE	1.07	0.99
Est 3-5 Yr EPS Growth (%)	14.6	11.2
Hist 3 Yr EPS Growth (%)	14.1	11.4
Number of Securities	2,354	502

Common Stock Sector Exposures (%)



Common Stock Market Cap Distribution





CITY OF HOMER - GROWTH

Portfolio Holdings

Portfolio Number: 19-504341		Holdings Method: Direct				Report Date: 12/31/2014			
	Symbol	% of Port.	Price	Shares/Units	Portfolio Value	\$ Cost Basis	Unrealized Gain/Loss	Curr. Yield	Annual Income
Total		100.0			1,392,493	1,275,079	117,414	1.10	15,373
Cash		4.4	--	--	60,842	60,842	--	0.02	10
Cash Equivalents		4.4	--	--	60,842	60,842	--	0.02	10
FIRST AMER PRIME OBLIG FUND CL Y	31846V104	4.4	1.00	60,842	60,842	60,842	--	0.02	10
Equity		88.1	--	--	1,226,823	1,110,741	116,082	0.91	11,191
U.S. Equity		63.3	--	--	882,060	764,748	117,312	0.88	7,727
Mutual Funds & ETFs		63.3	--	--	882,060	764,748	117,312	0.88	7,727
Dodge & Cox Stock Fund	DODGX	10.9	180.94	841	152,226	136,365	15,861	1.78	2,715
Glenmede Small Capitalization Equity Portf...	GTCSX	8.1	25.92	4,358	112,965	113,047	-82	0.07	83
Harbor Capital Appreciation Fund Insti Cl	HACAX	11.6	58.52	2,760	161,503	125,856	35,647	0.08	133
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	9.9	67.27	2,049	137,825	107,079	30,746	0.00	2
W T. Rowe Price Mid-Cap Growth Fund, Inc.	RPMGX	6.5	75.44	1,191	89,850	87,157	2,693	--	--
T. Rowe Price Mid-Cap Value Fund, Inc.	TRMCX	6.5	28.82	3,133	90,285	83,942	6,343	1.08	971
Vanguard Equity Income Fund Admiral Shares	VEIRX	9.9	65.41	2,101	137,406	111,302	26,104	2.78	3,823
Developed Foreign		14.0	--	--	195,063	195,889	-826	1.22	2,377
Mutual Funds & ETFs		14.0	--	--	195,063	195,889	-826	1.22	2,377
Laudus International MarketMasters Fd Sele...	SWMIX	8.8	22.16	5,546	122,909	114,382	8,528	1.60	1,963
T. Rowe Price International Growth & Incom...	TRIGX	3.3	13.77	3,361	46,276	53,503	-7,227	--	--
Victory Munder International Small-Cap Fun...	MISIX	1.9	10.57	2,448	25,878	28,005	-2,127	1.60	414
Emerging Foreign		6.7	--	--	93,766	94,814	-1,048	1.16	1,087
Mutual Funds & ETFs		6.7	--	--	93,766	94,814	-1,048	1.16	1,087
Aberdeen Emerging Markets Fund, Insti Class	ABEMX	3.3	13.49	3,422	46,169	54,621	-8,452	1.48	681
Oppenheimer Developing Markets Fund Class I	ODVIX	3.4	35.06	1,358	47,597	40,192	7,404	0.85	406
Hedged Equity		4.0	--	--	55,935	55,291	643	--	--
Boston Partners Long/Short Research Fd Ins...	BPIRX	4.0	15.29	3,658	55,935	55,291	643	--	--
Real Estate		3.7	--	--	51,795	48,024	3,772	2.63	1,363
U.S. Listed		3.7	--	--	51,795	48,024	3,772	2.63	1,363
Nuveen Real Estate Securities Fund CLASS R6	FREGX	3.7	24.17	2,143	51,795	48,024	3,772	2.63	1,363

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Holdings Date: 12/31/2014



CITY OF HOMER - GROWTH

Portfolio Holdings

Portfolio Number: 19-504341		Holdings Method: Direct			Report Date: 12/31/2014				
	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	\$ Cost Basis	Unrealized Gain/Loss	Curr. Yield	Annual Income
Commodities		3.8	--	--	53,032	55,472	-2,440	5.30	2,809
Global Macro		3.8	--	--	53,032	55,472	-2,440	5.30	2,809
John Hancock Funds II Global Absolute Retu...	JHAIX	3.8	10.93	4,852	53,032	55,472	-2,440	5.30	2,809

Homer City Code

Chapter 3.10.130 Governance of Homer Permanent Fund Assets.

a. In investing and managing the monies of the Permanent Fund established pursuant to HCC Chapter 3.12, the persons having responsibility for making decisions shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the long term investment of funds considering the probable safety of capital as well as probable income, in accordance with the stated objectives of the Permanent Fund.

b. In order to ensure sound investment strategy, the city council will take action in the following manner:

1. The city council shall establish written investment policies by formal resolution which shall be adhered to without exception;

2. The city council shall review the investment policies of the permanent fund at least once each year during the first quarter and shall, by formal resolution, re-adopt or modify said policies;

3. The city council shall establish, by formal resolution, a plan for the allocation of investment assets each year that provides for the following:

(a) That earnings available for annual appropriation and distribution shall be confined to the interest, dividends or coupon discounts derived from the investments of the fund. Realized or unrealized gains to the portfolio value are not considered earnings,

(b) The portfolio of growth sub-fund will be invested primarily in equities, and is exempt from HCC 3.10.040.

(c) The portfolio of the income sub-fund will be invested primarily in bonds and the other fixed rate securities authorized by HCC 3.10.040.

(d) The income sub-fund may be used as a revolving loan for various city capital projects as provided in HCC Chapter 3.12.

(e) Sets forth portfolio duration, and which establishes performance benchmarks, and which estimates the percentage or amount of that year's annual earnings that would be necessary to retain to inflation-proof the fund principal;

4. The city council shall establish a permanent fund investment committee consisting of the finance director, the city clerk, two members of the city council, and two members of the community at-large. The term of each appointment shall be two years, with initial terms of the city council members and members at-large staggered so that half of the terms will expire each year. The committee shall be appointed by the mayor and confirmed by the city council. The appointment of any city official will automatically terminate on the date when the person no longer holds such city office. Any city council member or member at-large may be removed from the committee at any time by the City Council.

5. The committee shall meet at least quarterly to provide direction as required for maintenance of the fund. The committee shall provide regular reports of its activity to the city council.

6. The city administration shall maintain on file within the offices of the Finance Department monthly reports which indicate transactions affecting the investment account, to include, at a minimum, transfers of cash into and out of the account, and interest or dividends received by the account;

7. The city administration shall order an objective performance evaluation of the investment program every year;

8. The city administration shall retain one or more bank custodians to hold all investment cash and fixed income securities of the permanent fund and require that the custodians shall render monthly reports to the administration regarding assets held at both book and market values, and individual transactions which have taken place; that the banks shall have adequate fidelity insurance, and that written contracts be entered into between the city and the custodian banks.

c. The city, with the approval of the city council, shall retain one or more professional investment managers to design portfolios and invest funds in accordance with the written investment policies adopted by the city council. The investment managers shall be registered financial advisers with both the United States Securities and Exchange Commission and the state of Alaska, unless otherwise exempt from registration, and the investment managers shall agree to serve as a fiduciary to the city. Each investment manager shall carry professional liability insurance in an amount satisfactory to the city, and the terms of the investment relationship shall be memorialized in a written contract entered into between the city and the respective investment advisers.(Ord. 05-14(S) §2), 2006)

Chapter 3.12 Permanent Fund

Sections:

3.12.010 Homer Permanent Fund Established.

3.12.020 Contributions.

3.12.030 Allocation to sub-funds.

3.12.040 Additions to fund.

3.12.050 Investment of fund.

3.12.060 Expenditures of income.

3.12.070 Loans from income sub-fund.

3.12.080 Expenditure of principal.

3.12.010 Homer Permanent Fund Established. There is hereby established the Homer Permanent Fund. The Permanent Fund

shall be governed by this chapter. (Ord. 05-14(S) §2), 2006)

3.12.020 Contributions. a. If monies from the distribution of the Exxon Valdez settlement or other forms of wind-fall monies become available to the City, 95% of such funds shall be placed in the Homer Permanent Fund.

b. Wind-fall monies shall be defined as any new monies received by the City from any source other than standard budgeted operating revenues and not allocated to any specific purpose. Wind-fall monies do not include bond proceeds, grant funds allocated to a specified purpose, or the proceeds of non-Exxon Valdez litigation when such proceeds are recovered as damages to compensate or reimburse the city for expenditures previously made by the city. In all cases, the City Council's determination of whether monies are wind-fall is final and conclusive.

c. The remaining five percent of Exxon Valdez settlement funds and other wind-fall monies are available to be appropriated by the City Council for grants to the Homer Foundation or other local non-profit organizations for the benefit of the community. (Ord. 05-14(S) §2), 2006)

3.12.030 Allocation to sub-funds. When a contribution is made to the Permanent Fund pursuant to HCC 3.12.020, the money received shall be allocated to two sub-funds as follows:

a. Sixty percent of each contribution shall be allocated to an income sub-fund.

b. Forty percent of each contribution shall be allocated to a growth sub-fund. (Ord. 05-14(S) §2), 2006)

3.12.040 Additions to fund. a. The City Council may elect to contribute monies to the Permanent Fund. Unless otherwise allocated by the council, such contributions shall be allocated to sub-funds pursuant to HCC 3.12.030. (Ord. 05-14(S) §2), 2006)

3.12.050 Investment of fund. The sub-funds of Permanent Fund

shall be invested and managed in accordance with HCC 3.10.130. (Ord. 05-14(S) §2), 2006)

3.12.060 Expenditures of income. a. Expenditures of Permanent Fund income may be made only as authorized in this chapter.

b. The income from the income sub-fund may be appropriated by the City Council and be expended for general governmental purposes, including but not limited to ordinary operating expenses.

c. The income from the growth sub-fund shall not be expended. It shall be added to the principal of the growth sub-fund and reinvested. (Ord. 05-14(S) §2), 2006)

3.12.070 Loans from income sub-fund. The principal of the income sub-fund may be used as a source of loan funds for city capital projects, and not as a grant. To be eligible for such a loan the project must receive a majority of its funding from other sources. Such loans shall be on terms approved by resolution of the City Council, which must provide for the repayment of the loan over a reasonable period of time. (Ord. 05-14(S) §2), 2006)

3.12.080 Expenditure of principal. a. Expenditures of Permanent Fund principal may be made only as authorized in this section.

b. Except as a source of loan funds as provided in subsection 3.12.070, the principal of both the income sub-fund and the growth sub-fund shall neither be distributed nor spent without the authorization of sixty percent of city voters at a regular or special election.

c. Prior to submitting to the voters the question of whether to distribute or spend funds from the principal of the Permanent Fund, the City Council shall find that all reasonable options for borrowing have been exhausted, including the option of borrowing from the Homer Permanent Fund pursuant to section 3.12.070. (Ord. 05-14(S) §2), 2006)